



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Proposed Benefit Design Changes for 2017

Board of Trustees Meeting

April 27, 2016

A Division of the Department of State Treasurer

Presentation Overview

- Review Board Actions to Date
- Proposed Benefit Design Changes for 2017
- Impact on Actuarial Forecast

Summary February 5th Board Actions – CY 2017

Approved Items

1. Maintain same healthy activities to earn premium credits as previous year
 - Apply tobacco attestation credit to Subscribers only
 - PCP selection instead of PCMH
 - Complete HA which includes biometric questions instead of seeking provider reported biometrics
2. Add low-cost generic specialty medications tier
 - Reflects some increases in cost sharing on pharmacy tiers in Traditional 70/30 and Enhanced 80/20

Delayed Items (until May 1st)

1. Increases in cost sharing on Traditional 70/30 and Enhanced 80/20 options
2. Modify base premium strategy
 - Increase base premium for Enhanced 80/20 to \$35 (currently \$24.20)
 - **Establish base premium on other options:**
 - **\$10 CDHP**
 - **\$15 Traditional 70/30**

Items in red can no longer be implemented for CY 2017

CY 2017 Healthy Activities & Premium Credits

Healthy Activity	CDHP 85/15	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment <i>(applies to subscriber only, attestation regarding spousal tobacco use not required)</i>	\$40	\$40	\$40
Primary Care Provider Selection <i>(applies to subscriber and enrolled dependents)</i>	\$20	\$25	N/A
Health Assessment Completion <i>(applies to subscriber only)</i>	\$20	\$25	N/A
Total Credits Available	\$80	\$90	\$40

Board Approved Feb 5, 2016

Changes to Pharmacy Tiers

- In CY 2017 and beyond, generic/lower cost versions of specialty medications will be entering the market
 - There will be two to three drugs entering in CY 2016
- Beginning in CY 2017, Plan staff recommends incenting members to utilize these lower cost medications by adding a new Tier Four which would incorporate these lower cost drugs
 - The current Tier Four would shift to Tier Five
 - The current Tier Five would shift to Tier Six

Board Approved Feb 5, 2016

Changes to Pharmacy Tiers

Traditional 70/30 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	\$15	Tier 1	\$16
Tier 2	\$46	Tier 2	\$47
Tier 3	\$72	Tier 3	\$74
Tier 4 (Preferred Specialty)	25% up to \$100	Tier 4 (Low-cost/Generic Specialty)	10% up to \$100
Tier 5 (Non-preferred Specialty)	25% up to \$132	Tier 5 (Preferred Specialty)	25% up to \$103
Tier 6	N/A	Tier 6 (Non-preferred Specialty)	25% up to \$133

Enhanced 80/20 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	\$12	Tier 1	\$14
Tier 2	\$40	Tier 2	\$45
Tier 3	\$64	Tier 3	\$70
Tier 4 (Preferred Specialty)	25% up to \$100	Tier 4 (Low-cost/Generic Specialty)	10% up to \$100
Tier 5 (Non-preferred Specialty)	25% up to \$132	Tier 5 (Preferred Specialty)	25% up to \$103
Tier 6	N/A	Tier 6 (Non-preferred Specialty)	25% up to \$133

Board Approved Feb 5, 2016

Proposed Benefit Design Changes for 2017

Proposed Benefit Design – CDHP 85/15 (*no change*)

	Current CY 2016 Non-Grandfathered	Proposed CY 2017 Non-Grandfathered
Deductible HRA	\$1,500 \$600	\$1,500 \$600
Coinsurance Percentage	15%	15%
ACA Preventive Services	Covered at 100%	Covered at 100%
Medical Coinsurance Max Pharmacy Max Out of Pocket Max (<i>Includes Deductible</i>)	N/A N/A \$3,500	N/A N/A \$3,500
Selected PCP Non-selected PCP	Ded/Coins. +\$25 HRA credit Ded/Coins.	Ded/Coins. + \$25 HRA credit Ded/Coins.
B.O.D. Specialist. Non-B.O.D. Specialist	Ded/Coins. + \$20 HRA credit Ded/Coins.	Ded/Coins. + \$20 HRA credit Ded/Coins.
Inpatient Hospital B.O.D Non-B.O.D.	Ded/Coins. + \$200 HRA Credit Ded/Coins.	Ded/Coins. + \$200 HRA Credit Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	Ded/Coins.
ER Copay	Ded/Coins.	Ded/Coins.
Drugs	Ded/Coins. CDHP Maintenance Medications are deductible exempt	Ded/Coins. CDHP Maintenance Medications are deductible exempt

Proposed Benefit Design – Enhanced 80/20

	Current CY 2016 Grandfathered	Proposed Feb 5, 2016 BOT Meeting CY 2017 Non-Grandfathered	Proposed Value Based Design CY 2017 Non-Grandfather
Deductible	\$700	\$840	\$1,250
Coinsurance Percentage	20%	20%	20%
ACA Preventive Coverage	Covered at 100%	Covered at 100%	Covered at 100%
Medical Coinsurance Max	\$3,210	\$3,850	N/A
Pharmacy Max	\$2,500	\$3,000	N/A
Out of Pocket Max <i>(Includes Deductible)</i>	N/A	N/A	\$6,400
Selected PCP	\$15	\$15	\$10
Non-selected PCP	\$30	\$36	\$25
B.O.D. Specialist.	\$60	\$60	\$45
Non-B.O.D. Specialist	\$70	\$84	\$85
Inpatient Hospital B.O.D	\$0, then Ded/Coins.	\$0, then Ded/Coins.	\$0, then Ded/Coins.
Non-B.O.D.	\$233, then Ded/Coins.	\$280, then Ded/Coins.	\$450, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	\$87	\$95	\$70
ER <i>(Copay waived w/ admission or observation stay)</i>	\$233, then Ded/Coins.	\$280 then Ded/Coins.	\$300, then Ded/Coins.
Drugs		<i>Approved 2-5-16</i>	
Tier 1 (Generic)	\$12	\$14	\$5
Tier 2 (Preferred Brand & High-cost Generic)	\$40	\$45	\$25
Tier 3 (Non-preferred Brand)	\$64	\$70	Deductible/Coinsurance
Tier 4 (Low-cost/Generic Specialty)	N/A	10% up to \$100	\$100
Tier 5 (Preferred Specialty)	25% up to \$100	25% up to \$103	\$250
Tier 6 (Non-preferred Specialty)	25% up to \$132	25% up to \$133	Deductible/Coinsurance

Summary of Revisions to Enhanced 80/20 Plan

Valued Based Design

- In the last few weeks, Plan staff reviewed the proposed benefit changes including an alternative design for the Enhanced 80/20 plan with Board members and stakeholder groups.
- In response to feedback received through these meetings, the proposed value based design elements in the Enhanced 80/20 plan outlined on the previous page were revised as follows:
 - Reduced deductible from \$2,000 to \$1,250
 - Reduced out of pocket maximum from \$6,850 to \$6,400
 - Reduced emergency room copay from \$500 to \$300

Proposed Benefit Design – Traditional 70/30 Plan

	Current CY 2016 Grandfathered	Proposed CY 2017 Grandfathered
Deductible	\$1,054	\$1,080
Coinsurance Percentage	30%	30%
ACA Preventive Services	Cost-Sharing Applies	Cost-Sharing Applies
Medical Coinsurance Max	\$4,282	\$4,388
Pharmacy Max	\$3,294	\$3,360
Out of Pocket Max <i>(Includes Deductible)</i>	N/A	N/A
PCP Copay	\$39	\$40
Specialist Copay	\$92	\$94
Inpatient Hospital	\$329, then Ded/Coins.	\$337, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.
Urgent Care	\$98	\$100
ER <i>(Copay waived w/ admission or observation stay)</i>	\$329, then Ded/Coins.	\$337, then Ded/Coins.
		<i>Approved 2-5-16</i>
Drugs		
Tier 1 (Generic)	\$15	\$16
Tier 2 (Preferred Brand & High-cost Generic)	\$46	\$47
Tier 3 (Non-preferred Brand)	\$72	\$74
Tier 4 (Low-cost/Generic Specialty)	N/A	10% up to \$100
Tier 5 (Preferred Specialty)	25% up to \$100	25% up to \$103
Tier 6 (Non-preferred Specialty)	25% up to \$132	25% up to \$133

Impact on Actuarial Forecast

Baseline Forecast

	Baseline Forecast (assumes no additional changes)		New PBM Contract * Open Formulary (current arrangement)		New PBM Contract * Closed Formulary	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Max Amount Short of 20% Reserve (1st Month short)	\$115.6 M (March 2017)		\$83.1 M (April 2017)		\$72.0 M (May 2017)	
CY 2018 Projected Increase	15.21%	15.21%	12.71%	12.71%	11.91%	11.91%
CY 2019 Projected Increase	15.21%	15.21%	12.71%	12.71%	11.91%	11.91%
CY 2020 Projected Increase	4.82%	4.82%	6.02%	6.02%	6.45%	6.45%
CY 2021 Projected Increase	4.82%	4.82%	6.02%	6.02%	6.45%	6.45%

ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Forecast Scenarios: Open Formulary & Benefit Changes

	New PBM Contract * Open Formulary (current arrangement)		With Proposed Benefit Changes		With Proposed Benefit Changes & Increased Contributions	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.0%	0.00%	3.43%	3.43%
Max Amount Short of 20% Reserve (1st Month short)	\$83.1 M (April 2017)		\$51.8 M (May 2017)		\$7.4 M (May 2017) <i>End FY above threshold</i>	
CY 2018 Projected Increase	12.71%	12.71%	9.75%	9.75%	6.27%	6.27%
CY 2019 Projected Increase	12.71%	12.71%	9.75%	9.75%	6.27%	6.27%
CY 2020 Projected Increase	6.02%	6.02%	7.84%	7.84%	10.05%	10.05%
CY 2021 Projected Increase	6.02%	6.02%	7.84%	7.84%	10.05%	10.05%

ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Forecast Scenarios: Closed Formulary & Benefit Changes

	New PBM Contract *		With Proposed Benefit Changes		With Proposed Benefit Changes & Increased Contributions	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.0%	0.00%	3.43%	3.43%
Max Amount Short of 20% Reserve (1 st Month short)	\$72.0 M (May 2017)		\$42.4 M (May 2017)		\$0	
CY 2018 Projected Increase	11.91%	11.91%	8.94%	8.94%	5.47%	5.47%
CY 2019 Projected Increase	11.91%	11.91%	8.94%	8.94%	5.47%	5.47%
CY 2020 Projected Increase	6.45%	6.45%	8.30%	8.30%	10.54%	10.54%
CY 2021 Projected Increase	6.45%	6.45%	8.30%	8.30%	10.54%	10.54%

ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Discussion